

AMERICAN AIRLINES SETTLEMENT PROPOSAL TO
THE TRANSPORT WORKERS UNION

RE: Stores
July 10, 2012

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OBJECTIVE	All items in this Settlement Proposal are contingent upon a consensual collective bargaining agreement, i.e. they will become effective as described only upon the effective date of a new collective bargaining agreement between American and the Transport Workers Union
I. DURATION	Modify Article 47 to provide duration of six (6) years from date of signing (DOS). At any time following DOS plus forty-eight (48) months, but prior to DOS plus seventy-two (72) months, with sixty (60) days prior written notice by either party, the parties will commence negotiations in accordance with Section 6, Title I of the Railway Labor Act, as amended.
II. COMPENSATION Pay Rates Premium Industry Comparable Profit Sharing	<ol style="list-style-type: none"> 1. Modify Article 4 to provide Base Pay Rate increases for all Classifications on the following scale: <ul style="list-style-type: none"> -effective DOS – 3.5% -effective DOS + 12 months – 2.0% -effective DOS +24 months – 2.0% -effective DOS + 36 months – 1.5% -effective DOS + 48 months – 1.5% -effective DOS + 60 months – 1.5% 2. Material Logistic Specialist Premium <ul style="list-style-type: none"> • .45 at DOS 3. Industry Comparable Pay Rate Adjustment (See Attachment A.) 4. Provide for a joint committee to explore appropriate metrics and financial payouts of a gain sharing program for Stores. See Employee Gain Sharing letter. 5. New Profit Sharing (See Attachment B.)
III. SCOPE	<ol style="list-style-type: none"> 1. Delete Article 1 (e), and attachment 1.1 – Modify scope such that work accomplished by TWU AMT will be supported by TWU Material Logistic Specialist. 2. Accept TWU head count proposal - AFW (126), 27 AFW heads to DFW/DWH (exact location TBD), fewer bids (3). 3. TULE A/O reduction (56), TULE Support Shop support reduction (30). 4. Vendor Management Inventory Letter.

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	5. Develop letter addressing ordering of parts going forward.
IV. WORK RULES	
Shift Assignments	1. Modify Articles 3 and 21 to permit management to establish a maximum of three (3) of shift bids, all shift bids to be fixed. Eliminate any local agreements, and Modify Article 3 to permit management to establish work schedules at Overhaul Bases that include Saturdays and Sundays without restriction (eliminate 1/7th rule).
Overtime	2. Clarify that Article 6 permits management discretion to distribute overtime within the crew or the appropriate work group as equitably as practicable, and eliminate all local agreements. Company and TWU will meet and confer for 30 days following DOS to resolve and reach agreement on procedures. If no agreement is reached, the dispute will be mediated/arbitrated at the next scheduled Maintenance System Board. See attached letter.
Vacation	3. Delete current language in the agreement concerning 40 hour requirement. 4. Reduce maximum vacation accrual from 30 days to 25 days. 5. Eliminate Paid Personal Vacation Days (PV). TWU Agreed.
Posting Promotions and Jobs	6. Modify Article 12(I) to state that once a transfer has been accepted the employee cannot refuse, nor can the company rescind, the transfer.
Flex Bidding	7. Modify Article 8 as follows: Add Flex vacation language stating that bidding will be completed no later than December 15. Employees must bid regular vacation first and then bid flex vacation weeks. Flex weeks will be available after number of weeks purchased are identified. TWU Agreed.
Recall	8. Substitute Article 16 from the May 5, 2010 AA/TWU Stores Tentative, modified to reflect 10 year recall rights.
Leave of Absence	9. Modify Article 17 – Leaves of Absence to reduce the duration of a SLOA and IDLOA from 5 years to 3 years
Sick Leave	10. Propose current book.
Meal Period	11. Propose a “No Meal” penalty of 30 minutes. If employee is not provided a meal period the employee will be allowed to punch out 30 minutes prior to the end of his shift without affecting his daily pay.
One Station	12. Eliminate DFW Hangar 5 (DWH) letter and DWH Title II License/Testing Requirement letter. DWH will be a stand-alone base whether in its current location or at another location at DFW Airport.

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<p>V. CLASSIFICATION:</p>	<p>1. Modify Article 11(d) and (e) to permit management to establish qualifications, review changes with TWU, and to implement changes to the Qualifications Administration Manual, and provide for a dispute resolution procedure. Eliminate all attachments to Article 11</p>
<p>VI. BENEFITS Pension 401(k)</p>	<p>1. Amend the Basic Agreement so that the Company is not required to accrue future service benefits in the defined benefit pension plan (hard freeze). T/A.</p> <p>2. Amend the Basic Agreement to provide that that the Company is not required to maintain or fund or provide a defined contribution pension plan, except as provided below.</p> <p>3. Amend the Basic Agreement to provide that the Company will offer a replacement benefit through the Super Saver 401(k) Plan. Employees will automatically be enrolled (with an option to opt out) at an employee pre-tax contribution of 3% of eligible compensation per payroll period, with a Company match up to 5.5% of eligible compensation as defined by the SuperSaver plan document.</p> <p>Eligible Compensation – for the purposes of determining any matching contribution or Company contribution, eligible compensation will be the sum of all 401(k) deferrable compensation, e.g. wages, overtime, CSW, etc. <u>except</u> for the following:</p> <ul style="list-style-type: none"> • Uniform Cleaning Allowance • Overtime Meal Allowance • Co-Terminal Expenses • Expense reimbursements • Approved expense allowances • Company paid life insurance premiums • Value of NRSA passes • Pre-tax flexible benefit plan contributions • Disability/Workers' Compensation payments • Severance pay • Termination Sick Premium • Company paid employee expenses • Benefit pay • Gain Sharing • Tips

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Active Medical Plan	1. See revised Attachment C – “Active Medical”.
Retiree Medical and Life	2. See Attachment D – “Retiree Medical & Life”.
VII. JOB PROTECTION	Eliminate Article 42 and Attachment 42.1, which currently limit the Company’s ability to layoff protected employees.
VIII. MISCELLANEOUS	
ASM Cap	1. Eliminate Attachment 1.4 – Seat Miles Scheduled by Commuter Air Carriers.
Moving Expenses/ Special Severance	2. Eliminate the provision in Article 44, which provides for a supplemental moving allowance of \$12,500 to each employee who moved base/stations during a layoff. 3. Retain, on a one time basis, the special severance allowance of \$12,500 to a laid off employee who relinquishes recall and re-employment rights for the purposes of the reductions in force associated with the restructuring agreement. See Early Out Incentive Allowance proposal.
Union Business Pay	4. Eliminate Baker Union Business Letter for elected representatives.

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ATTACHMENT A

INDUSTRY COMPARABLE PAY RATE ADJUSTMENT – STORES

At [DOS]+36 months, a calculation will be made to determine the maximum regular hourly pay rate (i.e., top-of-scale base pay plus license premium, line premium and longevity) of the equivalent classification at United, Delta, Continental and US Airways (or their successors) in effect on that date. Those rates will then be averaged (arithmetic mean) and compared to the equivalent rate at AA, including any coincidental structural increase (i.e., the scheduled 2.0% increase to base pay). If United and Continental workers, whether managed by one contract or two, are paid on the same pay scales, their maximum regular hourly rate will be treated as a single comparative value in calculating the average among comparator airlines. If AA's maximum regular hourly pay rate is below the average, a supplemental structural increase will be made to the base pay rates equal in percentage terms at the top-of-scale to the differential between AA and the average. In combination, the scheduled structural increase and the supplemental structural increase to base pay will yield a maximum regular hourly pay rate that equals the average of the comparator airlines.

Since the adjustment is reflected in the base rate as a new structural increase, it would be considered part of Eligible Earnings under the SuperSaver Plan and would be included in Eligible Earnings under the Profit-Sharing Plan.

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Worked Example:

THE FOLLOWING EXAMPLE IS PROVIDED FOR ILLUSTRATIVE PURPOSES ONLY.

Stock Clerk Wage Rates

	AA	UA	CO	DL	US	Legacy Average
Max Base Pay Rate	\$23.13	\$24.60	\$23.90	\$25.75	\$23.71	\$24.49
Longevity	\$0.30	\$0.28	\$0.30	\$0.00	\$0.00	\$0.15
Stock Clerk Premium	\$0.45					
Shift Differential	\$0.03	\$0.57	\$0.29	\$0.53	\$0.61	\$0.50
Max Regular Pay Rate	\$23.91	\$25.45	\$24.49	\$26.28	\$24.32	\$25.14

Wage Gap = Legacy Avg. Max Regular Pay Rate – AA Max Regular Pay Rate
 = \$25.14 – 23.91
 = \$1.23

Base Pay Adjustment: = Wage Gap/AA Max Base Pay Rate
 = \$1.23/23.91 = 5.1%

The adjustment to the maximum hourly pay rate will appear as follows

	AA	Adjustment	AA New	Legacy Average
Max Base Pay Rate	\$23.13	\$ 1.23	\$24.51	\$24.49
Longevity	\$0.30		\$0.30	\$0.15
Stock Clerk Premium	\$0.45		\$0.30	\$0.00
Shift Differential	\$0.03		\$0.03	\$0.50
Max Regular Pay Rate	\$23.92	\$ 1.23	\$25.14	\$25.14

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ATTACHMENT B

NEW PROFIT SHARING PLAN

Implementation of the New Profit Sharing Plan:

- Current Profit Sharing plan and the Annual Incentive Plan (AIP) would be eliminated.
- Beginning at the first dollar of (AA) pre-tax income, the New Profit Sharing plan would pay awards equal to the schedule below, prorated to take into account any group of frontline employees who do not participate in the plan. (AA) pre-tax income for the purposes of these awards will be calculated prior to the effects on income of any special, unusual and non-recurring items or incentive pay.

<u>Year</u>	<u>Percent of pre-tax income</u>
2012	5%
2013	5%
2014	5%
2015	5%
2016	5%
2017	5%

- The New Fund would be distributed equitably to all eligible employees based on each employee's eligible earnings.
- Individual New Awards will be distributed no later than March 15 of the following year for employees who meet the eligibility requirements as long as minimum funding provisions are met.

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ATTACHMENT C

ACTIVE MEDICAL

1. With the exception of the Standard plan design features in the chart and changes noted in #3 below, all other plan provisions are subject to change at Company discretion. Plan design features and other plan provisions in the Core medical option may change at Company discretion and advance notice of any changes will be provided prior to implementation. To the extent the Company is offering the Value medical option in any Plan Year to employees, employees eligible to enroll in the Standard and Core medical options will be eligible to enroll in the Value option; the Company, at its discretion may change plan design and contributions in the Value option or otherwise amend or eliminate the Value option.

2. Aggregate employee contributions for the Standard and Core medical options for 2013 will be 18%, 2014 will be 19%, 2015 will be 20% and 2016 and thereafter will be 21% of the total projected cost of each forecasted year of healthcare expenses (which include medical/Rx and administrative expenses). Contributions for the Standard and Core medical options will increase with inflation for these two (2) medical options with cost share set as explained above. The Value medical option inflation will be calculated separately.

3. The Standard medical option annual deductible will increase \$50 in 2015 and 2017 until the deductible reaches \$850 for employee only coverage, \$2,550 for family coverage.

4. Current coverage tiers for contributions will be replaced, as follows:

Current Coverage Tiers	New Coverage Tiers	Multiplier
Employee Only	Employee Only	1.0
Employee + 1	Employee + Spouse/Domestic Partner	2.6
	Employee + Child(ren)	1.8
Employee + 2 or more	Employee + Family	3.5

5. The \$150 and \$1000 standard medical options in the current CBA will be eliminated including the elimination of the current inflation formula used to determine future contributions.

6. Part-time employees will be offered the same medical options as full-time employees. Contributions for the medical options will be the same as full-time employees.

7. New employees eligible for healthcare coverage will default to the Core option, which is the Health Savings Account-compatible medical option, for Employee Only coverage on their eligibility date, should another option or level not be elected during their initial enrollment.

8. To the extent the Company is offering incentives in any Plan Year to employees for participating in the Healthmatters wellness program, employees enrolled in the Standard and Core

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Plans will be eligible for those incentives provided they meet the criteria (as established by the Company at its discretion) for earning the incentive.

Active Medical Chart

	Value	Standard	Core
Plan Design Features	Non-Contractual	Contractual Features	Non-Contractual
Spending Accounts	N/A	HRA	HSA Compatible
Spending Account Funding (2013 only)	\$0	\$375 ee & \$375 sp	\$0
In Network Deductible (Single/Family)	\$300/\$900	\$750/\$2,250	\$2,000/\$4,000**
Out of Network Deductible (Single/Family)	\$1500/\$4500	\$3,000/\$9000	\$4,000/\$8,000**
Coinsurance (In/Out)	20%/40%	20%/40%	30%/50%
In Network Out of Pocket Max (Single/Family)	\$1,750/\$4,375	\$2,000/\$5,000	\$6,000/\$12,000**
Out of Network Out of Pocket Max (Single/Family)	\$6,000/\$15,000	\$6,000/\$15,000	\$12,000/\$24,000**
Primary Care Physician Copay (In/Out)	\$20*	\$30*	30%/50%
Specialist Copay (In/Out)	\$40*	20%/40%	30%/50%
Retail Clinics Copay (In/Out)	\$40*	20%/40%	30%/50%
Preventive Care*	\$0	\$0	\$0
Emergency Room	Ded/Coins/\$100 CoPay	Ded/Coins/\$100 CoPay	Ded/Coins
Pharmacy (Retail)			
Generic	\$10	20% (\$10 min/\$40 max)	subject to deductibles and coinsurance***
Formulary Brand	30% (\$20 min/\$75 max)	30% (\$30 min/\$100 max)	
Non-Formulary Brand	50% (\$35 min/\$90 max)	50% (\$45 min/\$150 max)	
Pharmacy (Mail)			
Generic	20% (\$0 min/\$80 max)	20% (\$5 min/\$80 max)	subject to deductibles and coinsurance***

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Formulary Brand	30% (\$40 min/\$150 max)	30% (\$60 min/\$200 max)	
Non-Formulary Brand	50% (\$70 min/\$180 max)	50% (\$90 min/\$300 max)	
2013 Monthly Contributions	Value	Standard	Core
EE Only	\$112.50	\$70.69	\$57.40
EE + Spouse/DP	\$292.50	\$183.81	\$149.25
EE + Child(ren)	\$202.50	\$127.25	\$103.33
EE + Family	\$393.75	\$247.43	\$200.91

*Not subject to deductible

** Core - each deductible (single/family) is an aggregate that needs to be satisfied in total before coinsurance applies

** Core - the deductible is calculated as satisfying a portion of the OOP Max

** Core - each (single/family) OOP Max is an aggregate that needs to be satisfied in total before receiving 100% coverage

***Preventive Rx not subject to deductible, coinsurance still applies

Value, Standard, and Core coinsurance amounts (Medical and Rx) apply towards OOP maximums

OOP amounts do not include the deductibles for Value or Standard

ATTACHMENT D

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RETIREE MEDICAL & LIFE

Retiree Medical

The Company proposes the following changes to the retiree medical and life coverage:

1. Amend the collective bargaining agreement, any letter agreements and any ancillary documents so that the Company is not required to maintain, fund, or provide for retiree medical or retiree life benefits, including elimination of the retiree medical and retiree life insurance references.
2. Early retirees age 55 – 64 will have access to a company sponsored retiree medical option. Contributions for this coverage will be 100% of projected annual expenses (which includes administrative expenses) using data, assumptions, and methodologies for calculating future retiree healthcare costs. For 2012, the Company will offer the pre-65 plan design (which includes a provider network) offered to management employees.
3. Retiree medical option for age 65 and over will cease. Retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator, to the extent available.

A participant active employee who currently prefunds for retiree medical will be refunded the employee's prefunding account (which reflects investment experience) excluding employees who have already received prefunding refunds.

5. Contingent on the successful resolution of the Section 1114 process, as soon as practicable after termination of the Trust Agreement for the Group Life and Health Benefits Plan for Employees of Participating AMR Corporation Subsidiaries (Union Employees), the Company prefunding contributions for each participating active employee, and investment earnings attributable thereto, will be distributed to the employee (subject to applicable tax withholding ~~and/or excise tax~~), excluding employees who have already received refunds of their employee prefunding accounts.
6. Although it is the Company's intention to continue to make available access to early retiree medical coverage (age 55 – 64), the Company will reserve the right to modify, amend, or terminate the plan at any time.
7. Retiree life insurance benefit will be discontinued.

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DOS

Mr. Robert F. Gless
Deputy Director - ATD
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1791 Hurstview Dr.
Hurst, Texas 76054

Re: Overtime Procedures - Stores

Dear Robert,

This will confirm our understanding reached during the negotiations leading up to the agreement signed on DOS. The tentative agreement modified Article 6 to permit the Company to establish overtime distribution procedures in accordance with certain provisions in the agreement. In the interest of providing the TWU an opportunity to have some input into the development of those procedures, the Company agreed to present the TWU with the proposed overtime distribution procedures within thirty (30) days following DOS. Thereafter, the Company will meet and confer with the TWU for a period of thirty (30) days in order to reach a mutually satisfactory resolution. The Company and TWU agreed that each party shall designate no more than three (3) representatives to participate in the meet and confer process.

In the interest of resolving any disputes over the implementation of such procedures in a timely manner, the parties agree that if the parties do not reach a mutually satisfactory solution within thirty (30) days after the Company presents the TWU with the proposed overtime distribution procedures, the parties will jointly submit the open issues to a final and binding mediation-arbitration process.

In order to expedite the mediation-arbitration process, the parties agree to move the case to the top of the docket and it will be scheduled and heard at the next planned System Board of Adjustment for M&R/Stores.

The arbitrator will be empowered to mediate a mutually satisfactory solution. If an agreement is not reached through the one day mediation session, the arbitrator shall issue a final and binding interest arbitration award within a period of thirty (30) days following the date of the scheduled mediation. The arbitrator's award shall produce equivalent cost savings as valued by the Company and shall be consistent with any other ground rules established by the parties. The award shall be final and binding on the parties.

The parties shall share equally all costs of this mediation-arbitration process.

Sincerely,

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{Original Signed on file}

James B. Weel
Managing Director
Employee Relations

Agreed to this date:

{Original Signed on file}

Robert F. Gless
Deputy Director - ATD
AA System Coordinator
Transport Workers Union of America, AFL-CIO

ARTICLE 1 - RECOGNITION AND SCOPE

(a) The Company recognizes the Union as the exclusive and sole collective bargaining agency for all employees within the United States within the classifications of work enumerated, pursuant to the certification from the National Mediation Board dated November 28, 1945, together with the National Mediation Board's File No. C-2380 dated November 28, 1955.

(b) It is intended that work now being performed (and to the extent it will continue to exist) will be performed by employees covered by this Agreement, except that nothing will prohibit the Company from scheduling or assigning any employee to perform work in any classification under the Maintenance and/or Stores Agreements, under the provisions of Article 1 and Article 11 of this agreement and Article 11 of the Maintenance Agreement. It is further understood that although the parties do not intend by this Article to give to employees covered by this Agreement work currently being performed by other Company employees, covered or uncovered, or to take away from employees covered by this Agreement work currently being performed by them, the scheduling and assignment of employees under the provisions of Article 1 and Article 11 of this Agreement and Article 11 of the Maintenance Agreement to perform this work are not contrary to this intent.

The Company ~~may~~ **will** determine the location and number of ~~Stock Clerk~~ **MATERIAL LOGISTICS SPECIALIST** positions required to support the operations, ~~subject to the provisions of Article 42 of this Agreement and~~ in accordance with Article 11 of the Maintenance Agreement.

It is understood and agreed that the work to be performed by employees covered by this Agreement does not include related indirect work performed by employees such as supervisors, management specialists, managers, planners, professional employees, flight crews, dispatchers, office and clerical employees, agents, clerks, production assistants, staff assistants and skycaps.

(c) It is understood that in an emergency, supervisors and other employees may perform or assist in performing any work that may be necessary to complete a particular operation. Where employees are reasonably available in point of time adequately to handle a situation on a regular, overtime, or field trip basis, the situation will not be deemed to be an emergency within the meaning of this paragraph.

(d) Contracting Out of Work. In the interest of providing stable employment but nevertheless to permit the Company to maintain and continue the development of air transportation under applicable laws, the Company will perform work to the extent performed under this Agreement as its present employees, covered under this Agreement, have the normal time and the skills to perform, and for which the Company can reasonably make available the necessary facilities.

(1) Additionally, it is agreed that the Company may continue to contract out work not exceeding the scope of its present contracting out practices. The Company will provide to the Union, in January and July of each year, a report, which indicates the extent of the Stock Clerk work, which has been contracted out-

(2) It is understood that nothing in this Article requires the maintenance of the present volume of work.

(3) At the request of the Director of the Air Transport Division of the Union, discussions may be initiated with the Vice President – Employee Relations, quarterly or on reasonable request, to ascertain the amount and type of work under this Agreement which has been contracted out during the previous calendar quarter for purposes of assuring consistency with the obligation of Article 1 (d) (1) of this Agreement.

(3) The time limit for grievances filed under Article 29(d) involving contracting out will be six (6) months from the date on which the contracting out commenced or, in the case of a substantial expansion of prior contracting out, six (6) months from the date of the substantial expansion.

e. The parties recognize that the Mechanic and Related Agreement allows for certain additional flexibility on outsourcing of work. It is understood that, while such outsourcing may impact the volume of Material Logistic Specialist work, the scope of the Company's stock clerks work will remain the same as today and that established practices concerning the assignment of work with respect to maintenance performed in house will continue in effect.

~~(e) It is the intent of the parties that the above language represents an attempt in contract language to express the meaning of the letter by Mr. C. R. Smith, dated March 9, 1950.~~

~~(f e) Merger, Purchase, or Acquisition of Another Company: In the event of a merger, purchase, or acquisition of another company, involving that entire company or a substantial portion of that company, by the Company, the TWU and the Company will meet to discuss the merger, purchase, or acquisition. The Company will provide the TWU with information concerning the proposed merger, purchase, or acquisition at the earliest feasible time to allow for the Union to prepare for those discussions. Those discussions will include the impact of the merger, purchase, or acquisition upon the TWU represented employees.~~

(1) The integration of the seniority lists of the respective employee groups will be governed by the provisions of Sections 3 & 13 of Allegheny-Mohawk, 59 CAB

22 (1972), provided that no employee on the master seniority list will be adversely impacted in rates of pay, hours, or working conditions by the integration.

(2) The rates of pay, rules and working conditions contained in the Basic Agreement, as amended, will not be open for collective bargaining in the event of a merger nor will the TWU or the Company have any obligation to bargain upon changes thereto, except as provided in Article 47 – Duration of the Basic Agreement.

(3) The parties agree to submit to final and binding arbitration by an arbitrator approved by the National Mediation Board all disputes between the TWU and the Company, which are not settled in the meetings provided above within six (6) months of the effective date of the merger. The costs of the arbitration will be shared equally by the parties and there will be only one such arbitration proceeding which will be the sole and exclusive remedy for all such disputes.

(4) It is understood that the provisions of Article 1(f)(1), (2), and (3) will not apply to the Company's purchase of assets of another airline which does not result in the integration of employees.

~~(g f)~~ Merger, Purchase, or Acquisition by another Company: In the event of a merger, purchase, or acquisition of the Company by another company, the TWU and the Company will meet to discuss the merger, purchase, or acquisition. The Company will provide the TWU with information concerning the proposed merger, purchase, or acquisition at the earliest feasible time to allow for the Union to prepare for those discussions. Those discussions will include the impact of the merger, purchase, or acquisition upon the TWU represented employees.

~~(h g)~~ Labor Protection Provisions: In the event of a merger, purchase, or acquisition of the Company by another Company, the integration of the seniority lists of the respective employee groups will be governed by the provisions of Sections 3 & 13 of Allegheny-Mohawk, 59CAB22 (1972). The employee groups of each carrier will remain separated until such time as the seniority lists are integrated in accordance with this paragraph.

~~(h h)~~ Successorship:

(1) The agreement will be binding upon any Successor. The Company will not bring a single step or multi-step Successorship Transaction to final conclusion unless the successor agrees, in writing, to:

(a) recognize the TWU as the representative of employees on the TWU System Seniority list consistent with the Railway Labor Act, as amended;

(b) employ the employees on the TWU System Seniority list in accordance with the provisions of this Agreement;

(c) assume and be bound by this Agreement.

(2) If the Successor is an Air Carrier or an affiliate of an Air Carrier, the Company will, at the option of the TWU, require the Successor to agree to integrate the pre-transaction System Seniority list of the Company and the Successor in a fair and equitable manner within twelve (12) months of the Successorship transaction pursuant to Sections 3 and 13 of the Allegheny-Mohawk LPPs. The requirement of this provision does not apply to the Company's acquisition of all or part of another Air Carrier in a transaction, which includes the acquisition of aircraft and employees.

(j i) The attachments on the following pages are agreed to by the parties and are incorporated as part of this agreement.

~~ATTACHMENT 1.1 CONTRACTING OUT WORK~~

~~March 9, 1950~~

~~Mr. Francis A. O'Neill
Chairman
National Mediation Board
Washington, D.C.~~

~~Re: Contracting Out Work~~

~~Dear Mr. O'Neill:~~

~~——— The contracting out of work has become an issue in our negotiations with TWU because the union believes this practice may threaten the job security of its members. To show that such fears are groundless I shall review our policy.~~

~~——— Our policy has been and is to maintain a stable work force. Few, if any, employees have been laid off because we have contracted work to others. In 1949 American Airlines, Inc. had the best record for continuity of employment in its mechanical department that it has ever had, even though it was necessary to give some non-recurring work to outside contractors.~~

~~——— In 1949 we scheduled our work in such fashion that there would be an orderly flow of work through the plants. The program was successful enough to provide the highest record of stable employment in the history of the company. One of the contributing factors to an orderly flow of work was our program to farm out such work as was beyond the capacity of our plants. We farmed out no projects that could have been accomplished in our plants. All of our people were busy during the year. How then can it be construed that the company will now find it desirable to contract out work that our employees have the time and facilities to get done?~~

~~——— The union has sought a severance pay formula. Even though it has not been demonstrated that work contracted out is, has or will jeopardize the security of the employees, the severance pay plan gives an additional measure of security. This is a new provision, unique in the air transport industry.~~

~~——— Nobody on the payroll will benefit by a program which would require us to hire temporary employees to take care of peak or non-recurring work, and to discharge them as soon as the peak had gone. This, from our point of view, is a wastefully expensive way of doing business, because it is inefficient. We must, therefore, retain the right to give to others the work that our regular employees have not time to handle.~~

~~——— There are several things in airline operation which principally affect the continuity of employment; the volume of the business, the schedules to be operated and the workload available. We will do the best we can to assure that each of these factors contributes to stability and continuity of employment; we cannot and do not contract about their volume, for we do not control that.~~

~~Our policy has enabled us to maintain a stable work force. We recognize its benefits and see no reason to change the policy.~~

~~Sincerely yours,~~

~~C. R. Smith
President~~

ATTACHMENT 1.2 - NEW TWU CITIES

AMERICAN AIRLINES, INC.
P.O. Box 619616
DFW Airport, Texas 75261 -9616

May 5, 1989

Mr. John J. Kerrigan
International Vice President
Director-Air Transport Division
Transport Workers Union of America, AFL-CIO
80 West End Avenue
New York, New York 10023

Re: New TWU Cities

Dear Mr. Kerrigan:

During the course of the negotiations leading to the signing of the current agreement, the staffing of certain cities by TWU represented employees was raised by the Union.

As a result of these discussions, it is agreed that periodic meetings between the Company and the Union, represented by the International Vice President, Transport Workers Union, and the Senior Vice President-Field Services, American Airlines, will be held for the purpose of reviewing the long term implications of staffing of new cities by TWU represented employees.

Very truly yours,

Charles A. Pasciuto
Vice President
Employee Relations

Agreed to this date:

John J. Kerrigan

~~ATTACHMENT 1.3 CONTRACTING OUT WORK~~

~~AMERICAN AIRLINES, INC.
P. O. Box 619616
DFW Airport, Texas 75261-9616~~

~~August 15, 1995~~

~~Mr. Edward R. Koziatek
Director, Air Transport Division
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1848 Norwood Plaza, Suite 112
Hurst, Texas 76054~~

~~Re: Contracting Out Work~~

~~Dear Mr. Koziatek:~~

~~This will confirm our understandings reached during the negotiations leading up to the agreement signed on August 15, 1995. During these discussions, we discussed the issue of contracting out on numerous occasions and the Company's need to contract out that work as provided for in the labor agreement.~~

~~As we discussed, it is the Company's intent to ensure that the TWU leadership is fully advised of those situations wherein the Company is planning to contract out work that is normally done in house so that the matter can be fully discussed.~~

~~The parties agree that this letter recognized their respective rights under the collective bargaining agreement concerning the issue of contracting out work.~~

~~Very truly yours,~~

~~Jane G. Allen
Vice President
Employee Relations~~

~~Agreed to:
Edward R. Koziatek~~

ATTACHMENT 1.4 - SEAT MILES SCHEDULED BY COMMUTER AIR CARRIERS

AMERICAN AIRLINES, INC.
P. O. Box 619616
DFW Airport, Texas 75261-9616

~~August 15, 1995~~

~~Mr. Edward R. Koziatek
Director, Air Transport Division
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1848 Norwood Plaza, Suite 112
Hurst, Texas 76054~~

~~Re: Seat Miles Scheduled by Commuter Air Carriers~~

~~Dear Mr. Koziatek:~~

~~This will confirm our discussions leading to signing of the agreement dated August 15, 1995 in which we discussed provisions for the future schedules of commuter air carriers relative to American Airlines.~~

~~It is agreed that, beginning with twelve (12) month period following August 15, 1995, and each twelve (12) month period thereafter, the total number of available seat miles (ASM's) which may be scheduled by all commuter air carriers owned by AMR or feeding American may not exceed six (6) percent of the total ASM's scheduled by American. This limitation will not apply to ASM's scheduled by such commuter air carriers on new service on a route which American has not served since March 1, 1993.~~

~~No aircraft type currently in the American Airlines fleet, or inactive aircraft type previously in the American Airlines fleet and still under the Company's control, and no current orders or options for an American Airlines aircraft type will be transferred to or operated by a commuter air carrier either owned by AMR or feeding American Airlines.~~

~~Very truly yours,~~

~~Jane G. Allen
Vice President
Employee Relations~~

~~Agreed to:
Edward R. Koziatek~~